
**KEY ANACON MINES
LIMITED**

ANNUAL REPORT

FOR THE YEAR ENDED **1977**
DECEMBER 31,



KEY ANACON MINES LIMITED

(Incorporated under the laws of Ontario on May 4, 1948)

DIRECTORS

J. E. IRVING Saint John, New Brunswick
A. G. KIRKLAND Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
DR. A. L. McALLISTER Fredericton, New Brunswick
L. McC. RITCHIE Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE *President*
A. G. KIRKLAND *Vice-President*
D. A. MACFARLANE *Secretary and Treasurer*
MRS. M. JONES *Ass't.-Secretary*

HEAD OFFICE

SUITE 1101, 21 KING ST. EAST Toronto, Ontario

EXECUTIVE OFFICE

GOLDEN BALL BUILDING Saint John, New Brunswick

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario

AUDITORS

THORNE RIDDELL & CO. Saint John, New Brunswick

ANNUAL MEETING

March 29, 1978 — 11:30 a.m. (Toronto Time)
Saskatchewan room, Royal York Hotel, Toronto, Ontario

KEY ANACON MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors submit herewith the annual report of the Corporation for the year ended December 31, 1977 which includes the audited financial statements of the Corporation for that period.

Activity in the Corporation's affairs was kept to a minimum in 1977 due to a reduction of cash income as described below. Total net cash expenditures were \$102,288, of which interest and bank charges accounted for \$71,567. Continued softness in base metal markets has postponed current consideration of bringing the mining property into production, although interest in examining the property on a partnership basis has been expressed by outside companies.

During the year, exploration was limited to a block of twenty claims adjoining the main property on the east. In addition to the drilling of two holes, the area was surveyed and upgraded to a mining licence. Expenditures on exploration and geophysical work in 1977 totalled \$25,841.

We continue to hold the Corporation's investment in 500,000 shares of Brunswick Mining and Smelting Corporation Limited (Brunswick) which had a market value of approximately \$1,850,000 at the end of 1977 compared with \$2,750,000 at the end of 1976. While earnings of Brunswick for the year 1977 have not yet been reported, earnings for the nine months ended September 30, 1977 have been reported at 11c per share. This compares with 22c per share for the year ended December 31, 1976. During 1977, only one dividend of 5c per share was received from Brunswick compared with 10c per share received during 1976.

There has been no change in the officers or management during 1977 and all directors are re-offering for the ensuing year.

On behalf of the Board,

L. McC. RITCHIE, President.

Saint John, N.B.

February 10, 1978

Thorne
Riddell
& Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Key Anacon Mines Limited

We have examined the balance sheet of Key Anacon Mines Limited as at December 31, 1977 and the statements of deficit, deferred development and administrative expenditure and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.,
Chartered Accountants.

Saint John, New Brunswick
January 16, 1978

KEY ANACON MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET AS AT DECEMBER 31, 1977

ASSETS

Current	1977	1976
Marketable investments - (note 2)	\$ 7,500	\$ 8,700
Prepaid expenses	1,276	1,256
	<u>8,776</u>	<u>9,956</u>
Invesments in Other Mining Companies (note 3)		
Brunswick Mining and Smelting Corporation Limited	1,752,530	1,752,530
Chibex Limited	1	1
	<u>1,752,531</u>	<u>1,752,531</u>
Fixed Assets and Deferred Expenditures		
Mining properties	66,341	66,341
Land, buildings, plant and equipment	466,895	466,895
Deferred development and administrative expenditures (note 4)	3,949,308	3,847,020
	<u>4,482,544</u>	<u>4,380,256</u>
	<u>\$ 6,243,851</u>	<u>\$ 6,142,743</u>

LIABILITIES

Current		
Bank overdraft	\$ 3,443	\$ 3,682
Accounts payable and accrued liabilities	137,467	101,420
	<u>140,910</u>	<u>105,102</u>
Other (note 5)		
Bank loan	<u>783,000</u>	<u>716,500</u>

SHAREHOLDERS' EQUITY

Capital Stock		
Authorized		
10,000,000 Common shares, par value 20 cents per share		
Issued		
8,166,157 Common shares	1,633,231	1,633,231
Contributed Surplus, premium on issue of common shares	<u>4,462,308</u>	<u>4,462,308</u>
	6,095,539	6,095,539
Deficit	<u>775,598</u>	<u>774,398</u>
	<u>5,319,941</u>	<u>5,321,141</u>
	<u>\$ 6,243,851</u>	<u>\$ 6,142,743</u>

Approved by the Board

L. McC. RITCHIE, Director

D. A. MACFARLANE, Director

KEY ANACON MINES LIMITED YEAR ENDED DECEMBER 31, 1977

STATEMENT OF DEFICIT

	1977	1976
Deficit at beginning of year	\$ 774,398	\$ 779,352
Gain from sale of investment previously written off	—	12,377
	<u>774,398</u>	<u>766,975</u>
Provision for loss in value of marketable investments	1,200	7,423
Deficit at End of Year	<u>\$ 775,598</u>	<u>\$ 774,398</u>

STATEMENT OF DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

	Balance at beginning of year	Additions	Balance at end of year
Development expenses	\$ 2,356,373	\$ 42,262	\$ 2,398,635
Administrative expenses	1,490,647	60,026	1,550,673
	<u>\$ 3,847,020</u>	<u>\$ 102,288</u>	<u>\$ 3,949,308</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

Working Capital Derived From

Bank borrowings	\$ 66,500	\$ 41,000
Proceeds from sale of shares of O'Brien Gold Mines Limited	—	12,377
	<u>66,500</u>	<u>53,377</u>

Working Capital Applied To

Development and administrative expenditures	102,288	95,891
Provision for loss in value of marketable investments	1,200	7,423
	<u>103,488</u>	<u>103,314</u>

Decrease in Working Capital Position	36,988	49,937
Working Capital Deficiency at Beginning of Year	95,146	45,209
Working Capital Deficiency at End of Year	<u>\$ 132,134</u>	<u>\$ 95,146</u>

NOTE — The bank loan has not been included in the calculation of working capital deficiency (note 5).

KEY ANACON MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1977

1. ACCOUNTING POLICIES

(a) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition. No depreciation has been provided on the fixed assets as the company is presently exploring and developing mining claims and all expenses are deferred - see note 4.

(b) Marketable investments

Marketable investments included in current assets are carried at the lower of cost of acquisition or the current quoted value.

2. MARKETABLE INVESTMENTS

	1977	1976
Cost of acquisition	\$ 16,123	\$ 16,123
Provision for loss in value	8,623	7,423
Balance - being quoted market value	<u>\$ 7,500</u>	<u>\$ 8,700</u>

3. INVESTMENTS IN OTHER MINING COMPANIES

The Corporation's investment in Brunswick Mining and Smelting Corporation Limited consists of 500,000 common shares carried at cost, less amounts written down in prior years — quoted market value 1977, \$1,850,000; 1976, \$2,750,000.

At December 31, 1977, the Corporation owned 172,952 common shares of Chibex Limited (of which 150,009 shares were in escrow) and \$123,000 of that company's 9% convertible debentures due June 30, 1978. As Chibex is no longer an operating company and there is no market value for its shares or debentures, these investments are carried at the written down value of \$1.

At December 31, 1977, the Corporation also owned 5,429 shares of O'Brien Gold Mines Limited which were held in escrow. As such, there is no quoted value for these shares.

4. DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

Development and administrative expenditures amounting to \$3,949,308 at December 31, 1977 have been deferred with the intention they be amortized by charges against income from future mining operations. Realization of this income is dependent on the known ore body, and the additional reserves which may be developed in the future, becoming economic within the framework of metallurgical recoveries, metal prices and other operating costs.

5. OTHER LIABILITIES

The bank loan, payable on demand, is secured by a pledge of shares of Brunswick Mining and Smelting Corporation Limited. It is shown on these financial statements as a non-current liability as the shares pledged against it are shown as a non-current asset.

